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SIEH Positioning Strategy: Interim Report

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Introduction

To help define a positioning strategy for the Sistema de Información Empresarial Hondureño (SIEH) – a set of web-based business support offerings to be developed under the auspices of the USAID PEP project – ECI was commissioned to perform a short-term consultancy during the period October 8 – 22, 2001. The specific objectives of the consultancy are to define criteria for identifying target audiences and offerings, facilitate the decisionmaking process to finalize the offerings to be developed, and to provide a project plan to structure the work. This report presents the interim findings of this consultancy and offers preliminary positioning options for review and discussion.

Overview of Activities

During the week of October 8 – 12, Casey Wolfe (ECI) and Dr. Fernando Bertoli (PEP/Chemonics) held meetings and interviews with a number of PEP institutional counterparts and visited the Centro de Información y Desarrollo Empresarial (CIDE) in Comayagua to identify those groups which could play key roles in developing, managing, and providing content for the SIEH. With limited direct funding available from PEP Project beyond December 2001, the focus of this effort is to identify a niche for SIEH which can be relatively financially self-sustaining and which targets a clear “value proposition” to well-defined target audience segments.

Finding “Infomediary” Organizations

One clear theme which has emerged during our initial efforts is the importance of “real-world” intermediaries, such as chambers of commerce, in the transmission of the eventual SIEH content to its target audience. These “infomediaries” help bridge the Internet access gap for micro, small, and medium businesses who might benefit from eventual SIEH content but who do not have ready access to a computer or the WWW. Chambers of commerce, for example, can offer direct access to the Internet at their facilities, provide assistance with searches and queries, and leverage the effectiveness of Internet-based information through their existing relationships with businesses and their knowledge of local market opportunities. They also provide a channel through which feedback on longer-term enhancements and improvements to SIEH could be gathered. The investment of computer infrastructure that PEP has made in the CIDEs in Secondary Cities and the relationship of these CIDEs to chamber of commerce activities makes them attractive candidates for this role. The further implication is that SIEH content would need to be designed with the skills and capabilities of CIDE / chamber staff a foremost consideration.

Improving Market Readiness

Another key observation is the importance of assisting Honduran entrepreneurs and smaller businesses to adopt the business practices necessary to expand from informal opportunities in the local market to more structured, long-term relationships with national and regional distributors and larger foreign buyers. These practices fall generally into three categories:

- adopting the basic accounting practices necessary to successfully attract financing for import and export opportunities
- understanding and adopting product and processing standards desired by regional and international buyers
- finding and making effective use of commodity pricing data

This type of information is not well represented on existing sites, although some elements may be addressed in the “SME Toolkit” web site being developed by FIDE (la Caja de Herramientas de Gestión para Pymes). Indications are that content of this type, designed with the role of a chamber of commerce / CIDE “infomediary” in mind could be an extremely valuable element of SIEH. This type of curriculum can be expensive and time-consuming to develop, however, so

SIEH would need to concentrate its development resources on one or two well-targeted training modules – or identify existing curricula which could be tailored to SIEH's audiences.

Honduran Participation in the Global Technology Network

A third strong current in the interviews and discussions conducted thus far is the possibility of using SIEH content and resources to leverage Honduran participation in a USAID-funded international trade lead matchmaking system known as the Global Technology Network (GTN). GTN is a B2B platform with an SME focus which makes strong use of chamber of commerce representation in a number of emerging market countries to facilitate regional (Southeastern Europe, Southeast Asia, and Africa, primarily) trade deals and bi-lateral deals with U.S. companies. Because USAID has already invested in a strong information infrastructure for GTN, this may be a low-cost bridge to regional and U.S. markets for Honduran businesses. SIEH resources could be used in a number of ways to help Honduran businesses and the CIDEs make effective use of the GTN platform.¹

Global Technology Network

While the name seems to connote an emphasis on information technology, GTN's focus is on facilitating bi-lateral trade deals with U.S. companies and intra-regional deals in the areas in which it operates. GTN's informational web site is <http://www.usgtn.net>. The GTN trade platform is <http://trade.usgtn.net>.

Organizational Resources

An important consideration for positioning SIEH is identifying a set of counterpart organizations that can help develop the system, provide content, and assume increasing responsibility for managing and financing the system, once initial PEP involvement comes to a close. The following sub-sections provide a brief overview of the potential contributions of different counterparts, based on discussions and interviews during the period October 8 – 11.

Centros de Informacion y Desarrollo (CIDEs)

The CIDEs have strong potential to act as intermediaries for SIEH, helping to transmit SIEH data and content to businesses in secondary cities and leveraging the effectiveness of that content through their knowledge of and relationships with those local businesses. They have the infrastructure to provide direct access to Internet-based SIEH resources and (based on impressions from a visit to the Comayagua CIDE site) seem to have good knowledge of specific local business opportunities. It is less clear whether the CIDE representatives have, on their own, the skill sets and experience to facilitate delivery of web-based training modules (should SIEH decide to provide such content), to synthesize feedback from businesses on needed improvements or new content, or to help local businesses close on regional or international export and import opportunities that might be identified with SIEH resources.

Fundacion Para La Inversion y Desarrollo de Exportaciones (FIDE)

FIDE has played an active role in establishment of the CIDEs and has an ongoing role in administering the CIDE operations as a subcontractor to PEP. Given their close working relationship with the CIDEs, some ongoing role for FIDE in management and coordination of SIEH seems natural. FIDE has demonstrated some “staying power” as a non-profit investment promotion group and is helping to operate a number of donor-funded projects. This organization could therefore play a key role in coordinating some elements of content for SIEH, helping to avoid duplication in content between SIEH and other sites with which they are involved (notably www.hondurasinfo.hn and the new SME Toolkit site). FIDE might also play an important consultative role to fill any skill gaps among the CIDE representatives – especially in helping to close on specific export opportunities which are identified. One concern is their ability to stay focused on SIEH given the range of other initiatives in which they are involved. Despite the

¹ ECI currently manages the IT infrastructure for the Global Technology Network under subcontract to the International Executive Service Corps, which operates the broader program under a cooperative grant agreement with USAID.

presence of a small internal IT staff, it is unclear whether FIDE has the necessary skills to contribute to the technical development and management of the SIEH platform, but this aspect of SIEH could conceivably be outsourced (indeed, this appears to have been the approach to developing the initial SIEH design, which was outsourced to IICA).

Honduran Federation of Chambers of Commerce (FEDECAMARA)

** A meeting is scheduled to discuss SIEH positioning possibilities with Mr. Juan Moya on Monday, October 15.

Global Technology Network (GTN)

In countries in which it operates, GTN routinely funds all or a portion of the salary for a country trade representative, whose job is to work with chambers of commerce or industry associations to register their member businesses on the GTN exchange and to identify specific buy and sell opportunities that can be facilitated through GTN. To the extent that PEP is interested in courting GTN as a counterpart for SIEH, GTN might be willing to fund a country trade representative position in Honduras and provide the use of its relatively sophisticated technology platform (trade lead exchange, web-based email service, promotional web site). One positioning alternative presented in a later section this report is to position SIEH as the Honduran “gateway” to GTN – i.e., a relatively static “wrapper” of Honduran import / export content around the existing GTN system, or a Spanish-language interface to the GTN system.

IDB “Reactivation of the Rural Economy” Project

The Inter-American Development Bank has initiated a project focused on agriculture extension activities, working with regional offices of the Ministry of Agriculture. Initial discussions with Mr. Danilo Alvarado indicate that this project may be open to coordinating its activities to some extent with the SIEH initiative. This could be particularly useful if SIEH ultimately takes on a concerted focus on the agriculture / agribusiness sector, perhaps with the Ministry of Agriculture regional offices becoming part of SIEH’s network of intermediaries. At a minimum, coordination with this project will help focus the selection of content that would be most useful to businesses in the agricultural sector.

Existing Information Resources

In tandem with the survey of available counterpart organization resources, ECI is helping to evaluate existing information resources that could be web-enabled or refined as part of SIEH.

GTN

Involvement with GTN would bring access to its database of registered companies in the U.S. and other countries, which numbers 6000+ and should grow at a reasonable pace in the next year. Companies are registered in a variety of sectors, including agriculture, and the platform would support intra-Honduran trade as well as regional and bilateral trade with U.S. companies. To make intra-Honduran trade feasible, Honduran companies would need to register on the GTN web site, or PEP would need to finance collection of Honduran company data for a batch import into the system.

Sistema de Información de Mercados de Productos Agrícolas de Honduras (SIMPAH)

SIMPAH is a partially-donor-endowed program which collects and publishes agricultural market prices. Reports on Tegucigalpa and San Pedro Sula market prices are published for subscribers daily, and prices for other Honduran markets are published weekly. The service is currently not published on the web and could be an interesting content option for SIEH, although the cost of necessary systems engineering and programming to interface the SIMPAH systems to the SIEH infrastructure (hosted at Interland in Atlanta, Georgia) could be significant. Furthermore, the program currently offers its market data reports only to subscribers, so it would probably have to remain a fee-based content offering if integrated with SIEH.

Honduran Export Register (REXHON)

The Honduran Export Register, part of the www.hondurasinfo.hn site maintained by FIDE, offers limited data on a small number of Honduran export companies. This information might be useful for seeding Honduran companies into the GTN system, should SIEH pursue this option.

Alternatively, SIEH might reconstitute the export register as a simpler version of GTN, with improved capabilities to search for companies and to allow companies to register online.

CIDEs

Our visit to the Comayagua CIDE suggests that the CIDEs may have some interesting ephemeral resources that could be used for SIEH, including industry-specific lists of producers. Again, these might be useful in seeding a Honduran dataset for GTN, in a reconstituted Honduran Export Register, or for otherwise promoting certain export-ready sectors to foreign buyers (e.g., mangoes, fresh cheeses, other dairy products, etc.)

Central Bank Business Census

PEP has recently completed a survey of Honduran businesses for the Central Bank. This is a significant dataset that might be incorporated in some way into SIEH as a national Honduran business registry. It is likely, however, that since the survey was conducted only in towns with populations of 5,000 persons and greater, that the dataset structurally under-represents rural agricultural businesses.

Export Potential Surveys

Emile Falck has conducted surveys in Comayagua and other areas to identify agricultural producers with export potential. While we have not yet met with Mr. Falck, these surveys may provide a useful source of data for SIEH if agricultural export is an area of focus.

Criteria for Identification of Target Audience Segments

The final SIEH positioning strategy must be predicated on a few tightly focused target audience segments. A target audience segment may ultimately be defined by its sector of business activity, size, skill base, relationships, or some combination of these and other factors. The following draft criteria for identification of SIEH target audience segments are offered for review and comment.

1. Businesses that realistically have the skill base and knowledge, with the assistance of SIEH “infomediaries”, to use SIEH information to take products to market, export, or otherwise expand and improve their business activity

Rationale: SIEH needs to demonstrate return on investment and does not have adequate resources to develop and implement an extensive set of training content to prepare informal businesses to effectively take products to market, export, gain financing for transactions, etc.

2. Businesses that have, or are capable of initiating a relationship with a SIEH intermediary organization (e.g., CIDEs, regional offices of Ministry of Agriculture)

Rationale: Most businesses in Honduras will not have direct access to the Internet, so the role of an intermediary organization to transmit SIEH content to businesses is key. Intermediary organizations can also help leverage SIEH information investment through their knowledge of local markets, existing relationships with businesses, and connections with other assistance programs.

3. Businesses that are located in one of the CIDE secondary cities, Tegucigalpa, or San Pedro Sula – and which, in aggregate, broadly represent different secondary cities

Rationale: PEP has a strategic focus on assisting business and market development in secondary cities. Organizations that are likely candidates to be SIEH intermediaries (FIDE, CIDEs, etc.) are located in the secondary cities, Tegucigalpa, and San Pedro Sula.

4. Sectors, federations, associations of business that have historically taken advantage of business outreach, extension, and/or donor assistance projects

Rationale: Businesses that have historically taken advantage of outreach and assistance projects are more likely to be active with SIEH infomediary organizations and to take advantage of SIEH content.

5. Businesses with majority Honduran ownership (aspects of Honduran business registration law may make this requirement redundant?)

Rationale: PEP's objectives do not include supporting foreign businesses based in Honduras.

6. Significant cooperation of women entrepreneurs and women-owned businesses

Rationale: USAID places a strong emphasis on avoiding gender bias in its assistance programs.

7. Sectors or industries in which Honduras has some regional competitive advantage

Rationale: SIEH is more likely to demonstrate return on investment and generate business expansion if it focuses on those sectors in which Honduras has some regional advantage in terms of factor cost or productivity.

Initial Positioning Options

Based on the preceding discussion of institutional resources, available content, and target audience criteria, ECI has developed several initial positioning options for review and discussion. Criteria used as a basis for development of these options included the following:

- Potential for return on investment (business expansion)
- Time to implement
- Ability of PEP counterpart organizations to assume management of proposed activities
- Degree to which proposals make use of existing technology investments or content sources
- Degree to which proposals target specific market opportunities that have already been identified by PEP, FIDE, etc.

ECI suggests that the following options and the aforementioned selection criteria be the subject of a presentation to SIEH stakeholders to generate feedback and additional options.

1. SIEH is a federation of infomediaries and providers of existing content

Offering: SIEH offers no original content, focusing its web site on well-maintained linkages to other content providers, and putting the majority of its resources into formalizing cooperation of intermediary organizations to help Honduran SMEs make better use of existing information. SIEH resources are also used to continue basic training sessions on use of the Internet for business research and email.

Target Audience Segments: Medium-sized and more sophisticated small businesses who are primary producers and producers of finished goods in all sectors in secondary cities, Tegucigalpa, and San Pedro Sula

Value Proposition: Improved access to web resources (including GTN) through a set of real-world partner organizations who have good current knowledge of their business needs and capabilities

2. SIEH is a Honduran portal to the existing English-language GTN platform, providing additional Spanish-language resources to help CIDE representatives make best use of the GTN platform

Offering: SIEH is positioned and branded as the Honduran “face” of the GTN system. An informational web site provides Spanish-language information about the GTN program, procedures for GTN participation, and related resources on export procedures, financing opportunities, etc. SIEH features a direct point of entry to the existing GTN system (whose interface is entirely in English).

Target Audience Segments: (1) CIDE and chamber of commerce representatives acting on behalf of their SME-sized constituent businesses who have a readily exportable product, who can export with some limited technical assistance, or who wish to import (either individually or with in aggregate). (2) Medium-sized businesses who are ready to export and who have direct Internet access. (3) U.S. distributors and purchasers pre-identified by PEP and FIDE who are ready to work with Honduran producers.

Value Proposition: Low-cost access for businesses and intermediaries to a market-structuring mechanism for intra-regional trade and bi-lateral trade with U.S. companies. (There is a requirement in this scenario for translation of company registration information and specific trade lead opportunities from Spanish to English and vice-versa.)

3. SIEH is a Spanish-language interface to GTN, providing limited or no additional content resources

Offering: SIEH offers a Spanish-language interface to the GTN platform. Business registration, request for quote, and sales notice data entry screens are labeled in Spanish and limited application logic is added to the GTN platform to allow all businesses to indicate whether they wish to receive trade opportunities in Spanish. Spanish-language information on the basic GTN program and GTN procedures is provided, but with no additional content resources.

Target Audience Segments: (1) CIDE and chamber of commerce representatives acting on behalf of their SME-sized constituent businesses who have a readily exportable product, who can export with some limited technical assistance, or who wish to import (either individually or with in aggregate). (2) Medium-sized businesses who are ready to export and who have direct Internet access. (3) U.S. distributors and purchasers pre-identified by PEP and FIDE who are ready to work with Honduran producers.

Value Proposition: Low-cost access for businesses and intermediaries to a market-structuring mechanism for intra-regional trade and bi-lateral trade with U.S. companies, with no translation requirements.

4. SIEH is an Internet exchange for Honduran agricultural producers and agribusinesses

Offering: SIEH is a simple web-based exchange for agricultural commodities and processed agricultural products, including dairy. Buyers, producers, and distributors can register online (or with the assistance of an intermediary), indicating their buy/sell interests, processing standards, desired price, etc. Weekly SIMPAH reports are provided on the site in Microsoft Excel format, free of charge, in exchange for prominent SIMPAH advertising placement, and serve to establish prevailing price levels. A form is provided for producers who wish to subscribe to daily SIMPAH price data for Tegucigalpa and San Pedro Sula and other SIMPAH information products. Information is provided about donor and technical assistance programs related to agriculture, agribusiness, and export. FIDE and FEDECAMARA actively promote the site through their other web properties and offline promotional channels.

Target Audience Segments: Export-ready and near-export-ready medium-sized agricultural producers and agribusinesses in secondary cities, Tegucigalpa, and San Pedro Sula (and intermediary organizations acting on their behalf). Regional and U.S. producers / businesses can register as buyers and distributors only. Database can be seeded with existing opportunities identified by PEP and lists of producers compiled by CIDEs in the secondary cities.

Value Proposition: Relatively low-cost market-structuring mechanism which also serves to promote information on processing standards and the use of market price data. Leverages other technical assistance investments in the agricultural sector.